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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000196

SIPDIS

LONDON FOR GAYLE; BERLIN FOR PAETZOLD; BAKU FOR MCCRENSKY;  
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SUBJECT: IRANIAN TRADE AND ECONOMIC INFLUENCE IN ERBIL

Classified By: Classified By Political-Military Minister-Counselor Michael Corbin for reasons 1.4 (b) and (d).

11. (C) Summary: A range of contacts from Karim Sinjari, Kurdistan Regional Government (KRG) Minister of State for the Interior, to small business owners and residents of Erbil's Ainkawa neighborhood indicated to Iran Watcher during a visit January 20-22 that Turkish goods are more plentiful and popular than lower-quality Iranian products in Erbil. In an effort to expand the market for Iranian goods, senior Iranian diplomats visited Erbil on January 24 and met with Iraqi Kurdistan leader Massoud Barzani, according to Tehran's Fars News Agency (FNA). End Summary.

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Kurds have ties, not trust, with Iran  
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12. (C) Karim Sinjari, Minister of State for the Interior, Kurdistan Regional Government met with Iran Watcher and RRT Erbil officials on January 21. He admitted to natural ties existing with Iran, especially cultural ties to the Kurds in northern Iran, and noted the importance of maintaining a good relationship with this neighboring state. But Sinjari said the Kurds don't trust Iran. He added that due to the distance, there is less Iranian economic influence in Erbil than in Suleymaniya.

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Iranian Companies Come with Iranian Intelligence  
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13. (C) Sinjari claimed there is more trade with Turkey in Erbil than with Iran. Local citizens believe Turkish products are better quality than Iranian products, he said. Until this month, Iranian trucks could not cross the border into the KRG and had to unload their trucks at the border, transferring goods into Iraqi trucks; yet Turkish trucks are able to cross the border and continue into Iraq. Sinjari suggested there are only a few Iranian companies in Erbil, compared with many Turkish companies, and no Iranian banks in the KRG. He does not like Iranian companies because "they come with Iranian intelligence." He added a plea for more U.S. companies to come to the KRG, because they bring along good business practices, training for employees, and solid investment. There are virtually no exports from Erbil into Iran.

14. (C) Noting that the KRG shares a 400 km common border with Iran, Sinjari stressed the inevitability of trade and visitors from Iran. The Iranian Consulate in Erbil remains open, but closed its consular section and moved visa services to the border. Erbil may also increasingly serve as a transit point for Iranian pilgrims. According to Sinjari, an Iranian Deputy Foreign Minister recently proposed increasing the number of pilgrims traveling between Iran and Najaf, suggesting Iranian pilgrims travel by bus to Erbil and fly

from there to Najaf. While Suleymaniyah is closer to the Iranian border, there are fewer flights between Suleymaniyah and Najaf. However, despite the potential economic advantages, Sinjari said, "We don't want them or their money."

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Turkish Goods Preferred  
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15. (C) In separate discussions, two Erbil locals agreed that Turkish products such as food and consumer products are more popular than Iranian goods in Erbil. A young shop keeper proudly displayed products from the U.S., Europe, and Turkey, stating only a very small percentage came from Iran. He also Qstating only a very small percentage came from Iran. He also reiterated that Turkish goods are of higher quality than Iranian goods. A middle-aged domestic employee, originally from Baghdad, agreed there was far less Iranian economic influence in Erbil than south of the Green Line.

16. (C) Comment: Only two days after Minister Sinjari told us "We don't want them or their money," Tehran's FNA reported that Barzani hosted a delegation of senior Iranian diplomats to discuss the promotion of economic ties and an increase in the presence of Iranian investors in the KRG. The Iranian delegation does not mean that Barzani, notoriously wary of Iran, is courting Tehran. But he can't afford to actively antagonize the Iranian government either, particularly when his relations with PM Maliki are so acrimonious. Regional geo-politics, and the rewards of cross-border business for both Kurds and Iranians, will encourage continued trade flows, even if Turkey is the KRG's primary business partner. End Comment.

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